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Honorable Karen A. Overstreet  
Chapter 11  
Hearing Location: Seattle, Room 7206  
**Hearing Date: Friday, November 12, 2010**  
**Hearing Time: 9:30 a.m.**  
Response Date: November 10, 2010

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8 UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
9 AT SEATTLE

10 In re:

11 COAST CRANE COMPANY,

12 Debtor.

No. Case No: 10-21229

DEBTOR'S REPORT OF AUCTION

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14 Coast Crane Company, the debtor and debtor-in-possession ("Coast" or the "Debtor") files  
15 its report of the results of the auction for substantially all of its assets, held on November 8, 2010.

16 **AUCTION RESULTS**

17 On September 22, 2010, the Debtor filed its Motion for Order, Inter Alia, (i) Scheduling a  
18 Hearing to Approve Asset Purchase Agreement with Coast Rainier Acquisition Company for Sale of  
19 Debtor's Assets, Free And Clear of Liens; (ii) Approving the Form and Manner of Notice; (iii)  
20 Approving Expense Reimbursement; (iv) Approving Bidding Procedures; and (v) Approving  
21 Procedures for Assumption and Assignment of Executory Contracts (the "Sale Motion"). Pursuant  
22 to the Sale Motion, the Debtor sought authority to sell substantially all of its assets (the "Purchased  
23 Assets") to Coast Rainier Acquisition Company ("CRAC") or the successful overbidder at an auction  
24 to be held on November 8, 2010.  
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1           A.     Initial Bid for the Purchased Assets

2           CRAC was the stalking horse bidder for the Acquired Assets. As is set-forth of the  
3     Declarations of Matthew W. Hudson submitted in this proceeding [Dkt. Nos. 12, 132], beginning in  
4     March, 2010, Oppenheimer & Co. Inc. ("Oppenheimer") assisted the Debtor in its efforts to sell its  
5     assets or otherwise recapitalize itself. In connection with those efforts, Oppenheimer assisted the  
6     Debtor in an extensive marketing process designed to elicit offers to restructure Debtor, refinance its  
7     debt or acquire Debtor's assets. Oppenheimer solicited 140 parties in connection with the marketing  
8     efforts. These efforts resulted in ten (10) written expressions of interest from parties interested in  
9     either (i) acquiring Debtor's assets, (ii) purchasing a significant equity interest in Debtor or (iii)  
10    entering into a financing transaction with Debtor. On June 11, 2010, the Debtor and its board of  
11    directors, after review with the senior lenders, agreed to enter an exclusivity agreement with  
12    Clearlake Capital ("Clearlake"), which is an affiliate of CRAC. At this time, the Debtor was in  
13    default on its debt obligations, in an overadvance position under its senior debt facility and operating  
14    under a forbearance agreement in which the senior lenders agreed to continue providing funding to  
15    the Debtor.

16           Following Debtor's review of CRAC's offer and after extensive arm's length negotiations  
17    with CRAC, Debtor entered into an Asset Purchase Agreement dated September 22, 2010 with  
18    CRAC (the "CRAC Asset Purchase Agreement"), pursuant to which CRAC would acquire the  
19    Purchased Assets on the terms set forth in the CRAC Asset Purchase Agreement.<sup>1</sup> The key terms of  
20    the CRAC Asset Purchase Agreement were set forth in Debtor's Memorandum filed in support of  
21    the Sale and Bid Procedures Motion [Dkt. No. 20]. As detailed in the Supplemental Declaration of  
22    Jeff Nerland Disclosing Estimated Total Purchase Price [Dkt. No. 224] (the "Purchase Price Decl."),  
23    as of October 25, 2010, the Debtor believed that the total consideration paid by CRAC for the  
24    Purchased Assets under the CRAC Asset Purchase Agreement was \$80,750,000. The consideration  
25

26           <sup>1</sup> Declaration of Tom Neary [Dkt. No. 15].

1 included cash of \$31,260,000 and assumed debt of \$49,450,000<sup>2</sup>. The assumed debt included  
2 \$1,700,000 of trade payables of the Debtor (the "Trade Payables").

3 Post-Petition, Oppenheimer contacted 77 parties to determine whether they had interest in  
4 exploring submitting an alternative bid. Of those parties, 38 expressed some level of interest, and 14  
5 ultimately engaged in some level of due-diligence.

6 B. Initial Overbid by CC Bidding Corp. ("CCB")

7 In early September, 2010, Essex Crane Rental Corporation ("Essex"), a company which had  
8 expressed interest in acquiring the Debtor in early 2010, re-commenced its due-diligence  
9 examination of the Debtor and its assets. *See* Declaration of Matthew W. Hudson [Dkt. 132]. Over  
10 the subsequent weeks, leading up to the deadline for submission of alternative bids on November 1,  
11 2010 (the "Alternative Bid Deadline"), Essex conducted detailed due-diligence. On November 1,  
12 2010, CCB, an affiliate of Essex, submitted an alternative bid (the "Initial CCB Bid"). The  
13 consideration offered in the Initial CCB Bid included a cash payment of \$33,278,000, and  
14 assumption of \$64,309,000 in liabilities, including \$45,899,000 in indebtedness owed to the Senior  
15 Lenders<sup>3</sup>, \$5,300,000 of junior-secured indebtedness owed to Knott Partners, LLP and \$1,700,000 of  
16 Trade Payables.

17 On November 2, 2010, in consultation with the Senior Lenders, Junior Lender, and Official  
18 Committee of Unsecured Creditors, the Initial CCB Bid was deemed a Qualified Bid, subject to  
19 CCB's provision of additional evidence regarding its cash availability and financing, which was  
20 provided on November 5, 2010. Upon a final determination by the Debtor that the Initial CCB Bid  
21 was a Qualified Bid, CCB, CRAC, the Senior Lenders, the Junior Lender, and the Committee were  
22 informed that pursuant to the Bid Procedures Order, the Auction would take place on November 8,  
23

24 <sup>2</sup> The Purchase Price Decl. details other adjustments to arrive at a total purchase price of  
25 \$80,750,000.

26 <sup>3</sup> Capitalized terms, unless otherwise defined, have the same meaning as set-forth in the Sale Motion,  
and memorandum in support thereof.

1 2010, with CRAC and CCB as the bidding parties.

3 C. The Auction

4 Pursuant to the terms of the order approving the Bidding Procedures Motion (the "Bidding  
5 Procedures Order"), the Auction was held on November 8, 2010, commencing at 11:00 a.m. CCB  
6 and CRAC were the only two parties qualified to bid at the Auction. Counsel and representatives of  
7 CCB, CRAC, the Debtor, the Senior Lenders, the Junior Lender, and the Committee were present at  
8 the Auction.

9 At the Commencement of the Auction, the Initial CCB Bid was designated as the opening-  
10 bid, and CRAC was invited to make another bid. CRAC submitted a subsequent bid (the "CRAC  
11 Auction Bid"), pursuant to which it increased the cash portion of its original offer to \$38,800,000,  
12 and proposed to assume liabilities of \$53,421,000, including \$39,667,000 of the indebtedness owed  
13 to the Senior Lenders, and \$2,344,000 of Trade Payables. Per the Debtor's calculations, the  
14 consideration under the Initial CCB bid was \$91,327,000<sup>4</sup> and the consideration under the CRAC  
15 Auction Bid was \$92,471,000. After submission of the CRAC Auction Bid, the parties broke-out  
16 into caucus rooms, and the Debtor consulted, in turn, with the Senior Lenders, Committee, and  
17 Junior Lender regarding the terms of the CRAC Auction Bid, and determined that the CRAC  
18 Auction Bid was an overbid of the Initial CCB bid under the terms of the Bid Procedures Order. The  
19 parties reconvened, and CCB was invited to submit an additional bid.

20 CCB submitted a subsequent bid (the "CCB Subsequent Bid"), pursuant to which it increased  
21 the cash portion of the Initial CCB Bid in an amount sufficient to "pay the Senior Lenders in-full"  
22 after the assumption of \$45,899,000 of the obligation owed to the Senior Lenders.<sup>5</sup> Under the CCB  
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24 <sup>4</sup> This calculation ascribed no value to the assumption of debt of the Junior Lender, as the Senior  
25 Lenders were not paid in-full under the Initial CCB Bid.

26 <sup>5</sup> Assuming a closing date of November 21, 2010, the Debtor believes that the cash payment would  
need to equal \$37,980,000.

1 Subsequent Bid, CCB offered to assume \$64,309,000 in liabilities, including \$45,899,000 in senior  
2 indebtedness, \$5,300,000 of indebtedness owed to the Junior Lender, and \$1,700,000 in Trade  
3 Payables. Per the Debtor's calculations, the total consideration under the Subsequent CCB bid is  
4 \$101,329,000, assuming a closing date of November 21, 2010.

5 After submission of the Subsequent CCB Bid, the parties again broke-out into caucus rooms,  
6 and the Debtor consulted with the Senior Lenders, Junior Lender, and Committee regarding the  
7 Subsequent CCB Bid. During the consultation with the Junior Lender, the Junior Lender agreed that  
8 under the Subsequent CCB Bid, its claim against the Debtor would be reduced by \$7 million as a  
9 result of CCB's assumption of \$1.7 million in trade payables of the Debtor and \$5.3 million of the  
10 junior secured indebtedness. The Debtor determined that the Subsequent CCB Bid was an overbid  
11 of the CRAC Auction Bid, conditioned upon CCB, by 12:00 p.m. PST on November 9, 2010,  
12 providing the Debtor with: 1) a redline Asset Purchase Agreement to reflect to terms of the  
13 Subsequent CCB Bid; and 2) evidence verifying the availability of sufficient cash for CCB to pay  
14 the cash portion of the purchase price. CRAC agreed to hold the CRAC Auction Bid open until  
15 12:00 p.m. PST on November 9, 2010 in the event CCB was unable to satisfy the conditions but  
16 otherwise declined to act as a back-up bidder.

17 On November 9, 2010, CCB satisfied the conditions set-forth above, and its bid was deemed  
18 the Successful Bid.

19 A copy of the revised Asset Purchase Agreement with CCB, reflecting the terms of the  
20 Successful Bid, is attached hereto as Exhibit A. Schedule 2.3(h) is subject to further modification  
21 based on continued reconciliation with the Debtor's records and consultation with the Committee.  
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1 DATED this 10th day of November, 2010.

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3 K&L GATES LLP

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5 By /S/ David C. Neu  
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7 David C. Neu, WSBA #33143  
8 Attorneys for Coast Crane Company  
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